COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR A DETERMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ADEQUACY OF ITS WATER STORAGE CAPACITY ANALYSIS AND FOR A DEVIATION FROM 807 KAR 5:066, SECTION 4(4) UNTIL DECEMBER 31, 2005, PURSUANT TO 807 KAR 5:066, SECTION 18	)	CASE NO. 93-432

O R D E R

By application received November 17, 1993, Kentucky-American Water Company ("Kentucky-American") requested a deviation from Commission Regulation 807 KAR 5:066, Section 4(4), which requires each utility to provide water storage to ensure a minimum of one day's supply of its average daily water usage. Kentucky-American also requested approval of the adequacy of its water storage capacity analysis performed in response to Commission Order and filed with its application.[1] In addition, Kentucky-American has requested that it be given until December 31, 2005 to add needed facilities contained in the provisions of the application to deviate from 807 KAR 5:066, Section 4(4).

Kentucky-American obtains raw water for treatment from the Kentucky River and the Jacobson Lake and Lake Ellerslie Reservoirs.

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[1] Case No. 10237, The Application of Kentucky-American Water Company for Determination by the Public Service Commission that Its Existing Water Storage is Adequate Pursuant to 807 KAR 5:066, Section 5(4), Order dated May 9, 1988.

The Kentucky River is the primary source of supply. Kentucky-American has two water treatment plants, the Kentucky River Station and the Richmond Road Station.

Kentucky-American operates its water system in three pressure zones. The Main Service Zone covers the larger part of Fayette County including the urban area. The North Counties High Service Zone covers parts of Fayette County plus the balance of the system in the counties north of Fayette except for Sadieville. The Sadieville Zone is a small reduced pressure zone serving Sadieville.

Kentucky-American proposes to meet its storage capacity requirements for the year 2005 by providing one day's water storage in the High Service and Sadieville zones. However, in the main service zone it proposes to maintain a minimum of one half of the system's average daily requirement in storage with the other half to be provided through standby production and pumping facilities at the Richmond Road Station and standby power facilities at the Kentucky River Station. This method may be referred to as the "50/50 combination method."

As part of its water storage capacity analysis, Kentucky-American forecast the average daily demand for 2005, and based on this demand, determined the storage and standby facilities needed. Kentucky-American has made preliminary plans to add needed facilities from the present until 2005 at an estimated cost of approximately $8,900,000 (1992 dollars). Kentucky-American estimates the cost of fully complying with 807 KAR 5:066, Section

4(4), without the proposed deviation, to be between $17,000,000 and $20,000,000.

A factor of 50 percent of the average daily demand is used to determine the size of standby power facilities by the utilities owned and operated by Kentucky-American's parent, the American Water Works Company ("AWWC"). Kentucky-American asserts that the proposed 50/50 combination of storage and emergency power and production facilities meets the intention of 807 KAR 5:066, Section 4(4). In fact, it considers this combination preferable to finished water storage because the standby powered production facilities can continue to furnish water beyond one day, when one day's storage would be depleted. Kentucky-American therefore proposes the 50/50 combination as a reasonable, operationally sound, and cost effective method of complying with 807 KAR 5:066, Section 4(4).

The Commission, having reviewed the application and being sufficiently advised, finds that:

1. Kentucky-American is not in compliance with Commission Regulation 807 KAR 5:066, Section 4(4).

2. The present storage tank in the Sadieville Service zone is adequate. The storage capacity analysis for the high service zone indicates that additional facilities are needed. Kentucky-American has proposed a 50/50 combination of storage and standby production facilities for its main service area, with one day's storage for its two remote service areas. The 50/50 combination method provides a reasonable, operationally sound, and cost

effective method of delivering one day's supply of water in emergency conditions for the main service area. This method should be approved and Kentucky-American should be granted a deviation from 807 KAR 5:066, Section 4(4).

3. Because of the time needed to plan, finance, and implement a program to construct water storage facilities to comply with the 50/50 combination method for the main service area and to construct the facilities needed in the high service zone, Kentucky-American should be given until December 31, 2005 to comply with the provisions of its application as adopted in this Order.

IT IS THEREFORE ORDERED that:

1. Kentucky-American be and it hereby is granted a deviation from 807 KAR 5:066, Section 4(4).

2. Kentucky-American's water storage analysis be approved as complying with Commission Regulation 807 KAR 5:066, Section 4(4).

3. Kentucky-American be and it hereby is given until December 31, 2005 to comply with the provisions of its application to deviate from 807 KAR 5:066, Section 4(4), as described in this Order.

4. Nothing contained herein shall be considered as prior approval of any construction required to comply with this deviation.

5. Kentucky-American shall make an appropriate application for a Certificate of Public Convenience and Necessity prior to the construction of any proposed facilities.

Done at Frankfort, Kentucky, this 20th day of December, 1993.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director